

16. Getting Paid

I love articles on leadership, management, and what makes people tick, but this isn't one of those.

This is a simple explanation of how to get more of your hard-earned money – real take home cash – out of your accounts receivable (AR) and into your pocket, with the least amount of stress possible.

This is also not an article on insurance coding or packaging your services for maximum profitability. I'm not against a thoughtful approach to charging for what you do – we chiropractors typically give away more services than any health care provider I know.

This column takes you step-by-step through a simple system that consistently rings ninety-six percent out of my AR year after year after year.

The back-story: I built ten clinics in a state with low insurance reimbursement and a practice scope that didn't allow most therapies. My charges per visit were a fraction of what chiropractors get in some states.

With more than one overhead to feed, I knew that if I billed it, I'd better collect it. So I developed a system for maximizing collections on services rendered.

If you don't think this subject applies to you, maybe you should take a closer look at your AR. If you extend credit to patients, I'll bet I can find \$25,000 you should have collected last year.

I learned that the longer money was owed, the higher the chance that I wouldn't collect it. I also learned that uncollected money is not an orphan. Poor business practices and fear of confrontation are usually the not-so-proud parents.

And extra cash isn't the only byproduct of taming your AR. You'll also have much lower stress. When you learn to face and handle any money problem, you cut your stress in half.

Before we begin, let me warn you the first couple of “sessions” can be a little harrowing. You may not be a “numbers person,” or you may even resent that “a healer has to consider business.” (Yes, that’s an actual quote – guess what *that* DC’s AR looked like).

I was forced to develop my collection system by need, but whatever your reasons are, you need to do it and it will get easier.

This is how to do “The Dirty Dozen.”

Step 1: Print a paper copy of an aged AR with patients in alphabetical order (not sorted by class or type such as personal injury). Include their current, 30-, 60-, 90-, 120-day, and total charges. Get the account start date, plus the date and amount of the last payment.

Why print it to paper? I know you bought that fancy computer that produces all those fancy reports on the promise that you could go paperless, right? But in this case, paper is your working copy that you will annotate. Do it on paper.

Step 2: Schedule a 60-minute meeting with your CA . These meetings will get shorter, and a lot more fun, than the first.

Step 3: Explain to your CA that you’re going to research each account in the entire aged AR, looking for the twelve worst accounts based on three criteria: *size of balance*, *payment history*, and *security*.

Balance size: It’s obvious that if you’re going to take action – such as billing, rebilling, phone calls, or collection proceedings – size matters. Look at the large dollar accounts first.

Payment history: Any account that isn’t being paid down according to your agreement should be investigated, put on watch, and maybe receive immediate attention.

Security: If a personal injury case is being handled by a trusted attorney who’s given a letter of protection, the \$4,500 balance owed may be quite safe.

Step 4: You and the CA should go over the whole report – each account – looking at total amounts owed and deciding which are the twelve worst accounts. Look for big total balances, then the 90+ column for old money.

Don't stop to debate, argue, or work on one single account. Go through them all. Find the worst. You're only allowed to have twelve dirty accounts at the end. You'll get to the rest in time.

Why twelve? You can really only deal with one account at a time, and twelve seems to be the maximum you can handle in a week.

Step 5: Now pull all of the files on your four dirtiest accounts. Check the way the account was set up and open each of the computer ledgers. Were they billed correctly?

You're going to be amazed. Some accounts may have never been billed, some may be hung up in the electronic clearinghouse, some payments are "stuck" at the insurance company, and some may have been made but never posted to the account.

Step 6: Make assignments to bill, re-bill, and call each dirty account. Get reports on your collection assignments **every day** – not yearly, monthly, or weekly, but **daily**. When the CA brings in the money, celebrate.

Step 7: This is where The Dirty Dozen becomes fun. After you've done the same thing, week after week, your CA can start leading you through a meeting that's now only thirty minutes long.

What do you have in the end? You and your CA know your AR like the back of your hands. You know where the money is, and you have all that lovely cash in your pocket.

A client started with \$177,000 in AR when we began doing his Dirty Dozen meetings, and even with record production they have only \$55,000 today. That's an additional \$127,000 profit for my client in just two years.